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OFFICE OF NATIONAL ESTIMATES.

20 March 1957

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STAFF MEMORANDUM NO. 14-57

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SUBJECT: The Situation in Burma

1. The political situation in Burma is relatively calm and stable at the present. Prime Minister U Nu has returned to office with less freedom of action than he enjoyed before his resignation and has promised to consult fully with the BSP faction of the AFPFL before every major policy decision. The disagreement between U Nu and Kyaw Nyein, which threatened the unity of the governing AFPFL coalition, apparently has been patched up for the time being. The Chinese-Burmese border situation is still unresolved, but the tension the issue generated last fall has largely subsided.

2. There has been some slight modification in the government's general policies and international orientation in the direction of a stiffer attitude toward the Bloc and internal Communism. Before U Nu returned to office, the government announced its decision to cut rice shipments under the barter agreements with the Bloc to about one-fourth of last year. This would reduce Burma's increasing economic

\* This memorandum supersedes that of 18 March.

\*\* This memorandum has been discussed with DD/P and OCI.

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dependence on the Bloc. As a counterpart to this decision the government is still negotiating, with some hope of success, for a resumption of US foreign aid. U Nu has stated that the AFPFL will not negotiate with the Communists in Burma. He has promised that the government would moderate penalties for those Communists surrendering with their arms and would legalize their political organizations.

3. The Communist insurgents have recently stepped up their terrorist activities and staged a number of spectacular raids. Probably the insurgents are using violence to remain in the public eye and to increase pressure on the government to negotiate with them. We do not believe the insurgents have the capability for a sustained increase in guerrilla activity. Nevertheless, they are capable of disrupting economic activity and administration in the countryside. Over a period of time they may be able to inconvenience the government sufficiently to win concessions which would allow them to wage their battle above ground and by political means.

4. Although the present situation is relatively stable, there are a number of factors suggesting the possibility of trouble ahead. Probably the most important of these is the strength of the National United Front (NUF), a coalition dominated by Communist and pro-Communist parties, which made significant gains in the elections for the Chamber of Deputies last April. The NUF gains were probably due primarily to a growing public dissatisfaction with the AFPFL and the widespread corruption among government officials. U Nu resigned as Prime Minister last spring ostensibly to reorganize and clean up the AFPFL. It does not appear likely that he has accomplished much along that line. Unless there is some improvement in the standards of efficiency and honesty in government and in the general level of economic welfare, there is a danger that over a period of two or three years the AFPFL may lose much of its popular support to the NUF. There is also a danger that the AFPFL may accept into its ranks or into the cabinet Communist dominated individuals or parties to achieve leftist unity.

5. Dissension within the Burmese army is increasing. This is due primarily to tension between the old line career officers, many of whom are Anglo-Burmans or members of ethnic minority groups, and officers sponsored by the Socialist party in its effort to gain control of the army. In the April elections there was a considerable NUF vote in

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army units. Probably this was mostly a protest vote based on dissatisfaction with government corruption and with government political activities in the army. We do not believe there is serious Communist infiltration of the army. However, if dissension within the army continues, its limited capabilities may be impaired.

6. Over the past several years there has been a steadily increasing infiltration of Chinese into Burma, many of them agents carrying forged documents. There is no accurate count of these illegal entrants but estimates run as high as 10,000. They have fanned out over north and central Burma, settling down and opening businesses in the towns and villages. Some have settled in Rangoon where the Bank of China is reportedly advancing them money to buy up real estate and rice mills, and to open businesses. In addition, Chinese diplomatic missions in Rangoon and Lashio have been effectively reorganizing the overseas Chinese Communists. The Burmese government has not been able to cope with this illegal immigration, and even a satisfactory settlement of the border dispute will probably not end the problem.

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